



CITY OF HAYWARD AGENDA REPORT

AGENDA DATE	<u>07/18/00</u>
AGENDA ITEM	<u>5</u>
WORK SESSION ITEM	<u> </u>

TO: Mayor and City Council

FROM: Director of Public Works

SUBJECT: Authorization for the City Manager to Execute an Agreement Assigning Hayward Airport Associates No. 4's Ground Lease to Velo Two, LLC

RECOMMENDATION:

It is recommended that the City Council approve the attached resolution authorizing the City Manager to execute an Assignment and Assumption Agreement, along with associated documents, relating to the ground lease agreement between the City of Hayward and Hayward Airport Associates No. 4.

BACKGROUND:

On September 24, 1984, Hayward Airport Associates No. 4 entered into a **54-year** lease agreement with the City of Hayward for the real property commonly known as 21615 Hesperian Boulevard. The leasehold is administered under the direction of Watt Investment Properties, the developer of the property. The leased area contains 125,482 sq. ft. of buildable land, and a building that supports office and warehouse uses has been erected on the site.

Hayward Airport Associates No. 4 proposes to sell its leasehold interest to Velo Two, LLC, subject to the City of Hayward agreeing to an assignment of the ground lease. Victor Rauch is the principal for Velo Two, LLC. The City's Director of Finance and Internal Services has reviewed Mr. Rauch's financial records and tax returns for the past three years, and finds his financial resources satisfactory to meet the City's requirements. Mr. Rauch has agreed to personally guarantee the debts and liabilities of Velo Two, LLC arising out of this liaison for the next three (3) years.

TEEM OF CURRENT LEASE:

As noted above, the lease is for a 54-year term, commencing September 24, 1984, and expiring on September 23, 2038. Additionally, the first amendment to the lease provides for an option to extend the term until December 1, 2045. The lease stipulates a minimum annual rent of \$50,192, and also provides for additional rent based on the total amount of annual rents collected by the Lessee. Although the Lessee's rental revenues currently do not reach the level needed to trigger the additional rent provisions, the lease provides that the City shall receive

13.5 percent of any rents collected by the Lessee over the amount of \$28 1,135 per year. As of September 24, 2004, the percentage will increase to 27.5%.

The assignment with Velo Two, LLC prohibits them from assigning the lease or transferring ownership in the LLC without first obtaining permission from the City. However, consent cannot be unreasonably withheld. The assignment also requires the LLC maintain \$25,000 in liquid assets to cover any indebtedness under the lease.

CONCLUSION:

Staffs recommends that the City Council authorize the City Manager to execute an agreement, and all related documents, pertaining to the assignment of Hayward Airport Associates No. 4's ground lease to Velo Two, LLC.

Prepared by:



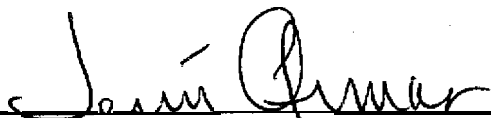
for Brent S. Shiner, Airport Manager

Recommended by :



Dennis L. Butler, Director of Public Works

Approved by:



Jesus Armas, City Manager

DRAFT



HAYWARD CITY COUNCIL

RESOLUTION NO. _____

Introduced by Council Member _____

RESOLUTION AUTHORIZING THE CITY MANAGER
TO EXECUTE AN AGREEMENT ASSIGNING
HAYWARD AIRPORT ASSOCIATES NO. 4's GROUND
LEASE TO VELO TWO, LLC

BE IT RESOLVED by the City Council of the City of Hayward ~~that~~ the City Manager is hereby authorized and directed to execute on behalf of ~~the~~ City of Hayward an Assignment and Assumption Agreement, along with associated documents, assigning the ground lease agreement between the City of Hayward and Hayward Airport Associates No. 4 to Velo Two, LLC.

IN COUNCIL, HAYWARD, CALIFORNIA _____, 2000

ADOPTED BY THE FOLLOWING VOTE:

AYES:

NOES:

ABSTAIN:

ABSENT:

ATTEST: _____
City Clerk of the City of Hayward

APPROVED AS TO FORM:

City Attorney of the City of Hayward